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111th Congress of the United States
House of Representatives
Washington, DC 20515
October 17, 2012

OVERSIGHT AND GOVERNMENT REFORM

SUBCOMMITTEES:

VICE CHAIR
TARP, FINANCIAL SERVICES AND BAILOUTS OF
PUBLIC AND PRIVATE PROGRAMS
GOVERNMENT ORGANIZATION, EFFICIENCY
AND FINANCIAL MANAGEMENT
REGULATORY AFFAIRS, STIMULUS OVERSIGHT
AND GOVERNMENT SPENDING
TRANSPORTATION AND
INFRASTRUCTURE

SUBCOMMITTEES:

AVIATION
COAST GUARD AND MARITIME TRANSPORTATION
HIGHWAY AND TRANSIT
BUDGET COMMITTEE

The Honorable Ben Bernanke
Chairman
The Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20429

The Honorable Tom Curry
Comptroller
Office of the Comptroller of the Currency
250 E Street, S.W.
Washington, D.C. 20219

The Honorable Martin J. Gruenberg
Acting Chairman
Federal Deposit Insurance Corporation
550 17th Street, N.W.
Washington, D.C. 20429

Dear Chairman Bernanke, Comptroller Curry, and Chairman Gruenberg:

I am writing to express concern over the Basel III capital requirements that are being proposed for the banking industry and the possible negative impact the proposal will have on small banks across this country.

During the last several months, I have heard growing concerns from New Hampshire banks about the overwhelming regulatory burdens they face. Particularly, the newly proposed Basel III capital requirements have become the most problematic regulatory proposal before them. I cannot overstate the level of concern among New Hampshire banks and, in particular, community banks.

It is evident the proposals before you are a one-size fits all approach. They do not take into account the varying sizes of financial institutions that make up this country's competitive banking system. The overwhelming majority of the nation's community banks are not engaged in global banking practices for which Basel III was intended to be targeted. I question why such requirements would be placed upon all institutions – even those without international dealings. Forcing small community banks to meet the same capital standards as their international competitors is simply unreasonable.

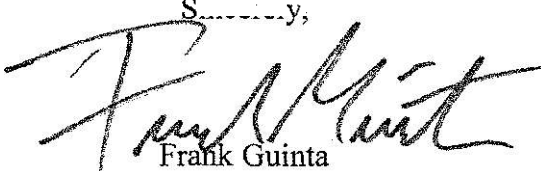
In addition, adding compliance burdens to the demands the Dodd Frank Act has already placed on hard working community bankers will bring several predictable results: slower economic recovery; fewer mortgages and business loans, at higher cost, made only to the most credit-worthy borrowers; higher compliance overhead; lower profits; reduced access to new capital; and the eventual loss of smaller banking companies to mergers and acquisitions.

In New Hampshire, we are beginning to emerge from a long struggle with joblessness and foreclosures. Under the proposed Basel III standards, banks will be forced to boost capital reserves at the very time they should be expanding their lending to help fuel economic recovery in the workplace and the housing market.

Unfortunately, the new risk-weighting measures could result in banks restricting access to certain products and services, which will have a chilling effect on the availability and access to credit for businesses, individuals, and communities.

Bankers in my state carefully weigh risks, using the kind of caution that is a hallmark of their industry, and continue to maintain appropriate levels of capital. They have helped their communities sustain one of the worst economic downturns in the past century. New Hampshire banks have managed their institutions well without international capital standards being placed upon them.

The unintended consequences of these proposals will be far-reaching and irreversible. I urge you to pull back the proposed Basel III regulations for complete revision. These rules, while they have an admirable goal of stabilizing the global banking marketplace, will decimate our nation's banking industry, the lifeblood of local economies.

Sincerely,

Frank Guinta
Member of Congress